

USAWC STRATEGY RESEARCH PROJECT

CASPIAN SEA REGIONAL SECURITY IN THE 21<sup>ST</sup> CENTURY

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## ABSTRACT

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With the breakup of the Soviet Union, the status of the Caspian Sea instantly became orders of magnitude more complicated than it had been when its littoral states numbered only two. The mid-1990s discovery and confirmation of major inland and offshore oil and natural gas deposits further multiplied the potential for disagreement and conflict. Now surrounded by five independent countries, each with its own unique national interests, the Caspian is a region ripe with potential for political dispute, but also rich in economic promise.

The major issues impacting the littoral states of Russia, Kazakhstan, Azerbaijan, Turkmenistan, and Iran include delimitation of the Caspian's surface waters and seabed; energy export (pipeline) routes; Islamic fundamentalism and other ethno-religious disputes; and the war against transnational terrorism. Additionally, as non-contiguous state actors, the United States and China play a major role in the region, particularly since the 9-11 terror attacks, which prompted the previously unthinkable basing of U.S. forces in Central Asia. A host of peripheral players, both pipeline transit states and ultimate consumers of Caspian energy, also participate in regional decision-making.

What path should the United States follow in its relations with Caspian states? With the geopolitical and economic stakes so high, missteps could cost an unlucky participant in this 21<sup>st</sup> century version of the Great Game dearly, but there is more at stake than access to oil. This examination of Caspian security describes the major issues facing the participants and prescribes a regional policy for the United States to follow to secure its national interests in addition to contributing to its perennial foreign policy goals of promoting regional stability, economic development and democratization in the region.



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## CASPIAN SEA REGIONAL SECURITY IN THE 21<sup>ST</sup> CENTURY)

The emergence of the independent nation-states in the Caspian Sea region at the southern border of Russia in recent years has proven to be one of the most significant geopolitical developments to follow the collapse of the Soviet Union. Long an under-appreciated linchpin in the 19<sup>th</sup> century great game for control of Central Eurasia between the Russian and British Empires, the Caspian Sea region at the beginning of the 21<sup>st</sup> century has become the focal point of much international attention. With the breakup of the Soviet Union, the region surrounding the Caspian has become orders of magnitude more complicated and consequential than it had been when its littoral states numbered only two. Formerly surrounded only by the Soviet Union and Iran, the Caspian shoreline now comprises the independent countries of Azerbaijan, Kazakhstan, Turkmenistan, Russia and Iran. The mid-1990's discovery and confirmation of major inland and offshore oil and natural gas deposits further multiplied the potential for disagreement and conflict not only among the five littoral states, but also among players outside the region. The presence of energy resources, however, also promises economic security for nations within whose borders the deposits are located, new sources of oil and gas for far-flung consumers and potentially huge profits for multinational corporations.

Despite the promise that could be realized with the development of the Caspian Basin, many factors have hindered the advent of political stability in the region. These include ethnic, religious, and clan-based tensions that have left the region's states in turmoil since their independence was established in 1991. This situation has been aggravated by a number of political factors, such as lack of strong national identity, a marked absence of political stability and continuity, and external pressure from a number of external actors seeking to gain access to the region.<sup>1</sup>

As the demand for energy resources continues to exert major influence on international relations, it is clear that determining the future of the Caspian Basin could prove to be a significant geopolitical issue. As the United States prepares for a possible war with Iraq, an event which some observers believe is motivated at least in part by a desire to install a regime more amenable to addressing Western oil needs, it is clear that the emergence of a significant alternate source of oil has the potential to alter the international political landscape. This study presents an analysis of the current situation facing the Caspian Basin states and the means by which political stability and security can be attained for the region. First, the discussion will focus on providing the historical and cultural context for the current situation. Then, the analysis will turn to examining the current legal and political status of the region and

its five component states. Next, the influence of a number of external circumstances on the Caspian Basin region will be explored. This will be followed by a discussion of the current status of not only the five nation-states in the Caspian Basin, but also, of several countries outside the immediate region that have significant interests and exert influence in the political and economic landscape of the Caspian region. Current U.S. policy toward the region will then be examined, and finally, in conclusion, a recommendation for the future direction of U.S. engagement will be presented. Geography and Resources

Forming a natural barrier between the Transcaucasus and Central Asia, the Caspian Sea and its resources connect the two regions to each other, ensuring that no action undertaken by any one regional actor goes without a reaction elsewhere. Although the sea is landlocked, and therefore somewhat isolated from the rest of the rapidly globalizing world, its



FIGURE 1

potential riches are driving its integration with the world economy via an extensive network of oil and gas pipelines.

Standing as the world's largest body of water, the 700 mile long Caspian has an area of roughly 275,000 square miles. Although this considerable area more than qualifies it to be termed a sea, it is relatively shallow in comparison with other similar bodies of water. Fed by a number of regional rivers (the Volga, most prominently), the Caspian is wholly surrounded by land and does not feed any other rivers or bodies of water.

The Caspian is bounded to the north by Russia with a shoreline of 1200 kilometers, to the east by Kazakhstan and Turkmenistan with 1890- and 1770-kilometer shorelines respectively, to the south by Iran with 740 kilometers, and to the west by Azerbaijan with an 800-kilometer shoreline. Shorelines, as will be discussed further, can have much to do with national ownership of natural resources.

The increase in the geopolitical significance of the Caspian Sea Basin over the past decade has largely been due to the emergence of evidence of energy resources believed to be located in the region. To some degree, the process of estimating the true extent of these resources has inevitably suffered due to exaggeration and, perhaps, wishful thinking on the

parts of interested parties. However, several recent surveys of the region have indicated that there are, indeed, extensive stores of oil and natural gas, as well as other resources, in the area.

Six separate major hydrocarbon basins have been identified in the immediate Caspian region, defined as the sea itself and the contiguous parts of the five countries discussed thus far.<sup>2</sup> Proven oil reserves (considered to be oil and natural gas deposits that are 90% probable) in the region are estimated at 17-33 billion barrels, roughly equal to those of the entire United States (22 billion barrels) and North Sea (17 billion barrels), making the Caspian a significant energy source by any accounting. It is the region's possible reserves (considered to be 50% probable), estimated at up to an additional 233 billion barrels, however, that have excited energy producers and consumers worldwide about the potential for significant long-term investment and return.<sup>3</sup> Representing up to three or four percent of available world oil resources, Caspian region deposits won't replace Persian Gulf oil, but they will significantly supplement it. As will be demonstrated below, however, it is the location, extraction and transport of these deposits that promise to provide state and commercial interests with no end of challenges in the decades ahead.

## HISTORICAL CONTEXT

Condemned by geography to be a crossroads of conquest, the Caspian Basin has played host to armies and empires for centuries. Arabs, Persians, Greeks, Mongols, Chinese, Turks and Russians all have dominated parts of the region for varying periods. The recent introduction of U.S. forces into Central Asia, while not directly impacting the Caspian, is close enough to have raised the specter among some of yet another foreign invasion. Although each of the five states surrounding the Caspian has a distinct history of its own, the details of which are beyond the scope of this study, some general historical influences are important to understanding current events.

The area surrounding the Caspian Sea has long been a crossroads of social, cultural, and political activity. As a center of trade and cultural exchange, the region has been regarded as one of the chief symbolic boundaries between Christianity and Islam, and this historical dichotomy has continued to manifest itself in many ways. Due to the longstanding political hegemony and close geographical proximity of Russia, as well as the persistent ethnic, tribal and religious factionalization and conflict of the groups inhabiting the Caspian Basin, Russia has

long asserted a forceful control over much of the region, either through economic influence, direct governance or military presence.<sup>4</sup>

### **Pre-Russian Influences**

The lands surrounding the Caspian were settled in the eighth century B.C. by Scythians who came from Iran and inhabited the lower lands of southern Eurasia, displacing the Cimmerians who had come from present day southeastern Europe and who had lived there since approximately 1200 B.C.<sup>5</sup> Zoroastrian fire worshippers discovered oil around present-day Baku in the third century B.C., building shrines around methane-fed eternal flames that can still be seen today in preserved historical sites outside the city. In the second century B.C., Scythians gave way to Sarmatians from north of the Aral Sea. In the early Christian era, Turkic tribes known as Altai and Kirghiz held sway. Further to the east, Hunnic tribes were perfecting their tactics for eventual employment in conquering everything in their westward path. Three names – Attila, Genghis Khan and Tamerlane – conjure the image of vast hordes of Mongol horsemen sweeping over the steppe to defeat the pastoral nomads and prosperous cities to the west. For the lands north of the Caspian, this was reality from the fifth until the 16<sup>th</sup> centuries when the advent of artillery stopped the Golden Horde in its tracks.<sup>6</sup> Thus began the steady and inexorable push of the Russian empire across the Eurasian landmass, stopped finally only by the Pacific Ocean.

### **Russian Imperial Influences**

Ivan IV (“the Terrible”) presided over an unprecedented expansion of the Russian Empire to the south and east in the mid-16<sup>th</sup> century. Defeating and annexing Kazan and then Astrakhan, he acquired access to the entire Volga River, the Caspian Sea, and Central Asia.<sup>7</sup>

In the 18<sup>th</sup> century, under Peter I and Catherine II (both known as “the Great”), Russia laid the foundation for its empire. Establishing Russia’s regional military, and especially naval, preeminence, Peter also modernized Russian diplomacy and bureaucracy. Catherine pushed south to the Caucasus, but her efforts met with limited success in establishing a permanent presence there, encountering the fierce independent nature of the mountain tribes that persists today in places like Chechnya. Still, she laid the basis of trade routes and administration, which would pay dividends in the next century.<sup>8</sup>

It remained for the 19<sup>th</sup> century’s “Great Game” of espionage, deception and military conflict to solidify Moscow’s hold on a trading empire between Imperial Britain and Russia, resulting in Russian dominance of the Caucasus and Central Asia. It was during this time that

Russian forces encroached upon the Kazakh steppes, establishing military bases and colonial settlements in what is present day Kazakhstan. Ultimately, the “Great Game” culminated in a treaty between Russia and Britain, signed in 1895, which determined the placement of Afghanistan’s border and ceded to Russia and Britain their more or less official spheres of influence.<sup>9</sup> As a result, Russia—and subsequently the Soviet Union—gained official control of Central Asia and the Caucasus region throughout the twentieth century.

### **Soviet Influences**

For most of the 20<sup>th</sup> century, the Caspian Sea was surrounded on three sides by four republics of the Soviet Union, to which its history is inextricably tied. Although nominally independent during the civil war that followed the 1917 Bolshevik revolution, the peripheral republics were in fact controlled by the Communist Party and the Red Army from the beginning of Soviet rule. In 1922, the Transcaucasian Republic, comprising Azerbaijan, Armenia and Georgia, joined the Russian, Belarusian and Ukrainian Soviet Socialist Republics in forming the Soviet Union. By 1936, all the Central Asian republics were formally incorporated under Moscow’s regime.<sup>10</sup>

Although no one in the Kremlin would have characterized it so, Soviet Moscow maintained a colonialist relationship with its constituent republics. Each Union Republic was organized and led by identical Communist Party apparatuses, which emphasized fealty to the center because they were controlled from the center. Those nationalist leaders who determined to exercise some degree of independence found themselves purged in the 1930s, to be replaced by more prudent leaders who were more amenable to Moscow’s suggestions.<sup>11</sup>

Not that Sovietization was all bad. In general, health and educational standards were considerably higher across the Soviet Union than they had been prior to standardization. Soviet propaganda never tired of touting the nationwide 90% literacy rate, although it was also true that national minorities knew less of their own histories than of the “common” Soviet/Russian history. Kangas puts it well: “This phenomenon [local populations knowing more Soviet history than their own] would become a source of inter-ethnic tension, particularly as the regional populations felt that they were being discriminated against by their Russian ‘elder brothers.’”<sup>12</sup>

Although centrally planned, the Soviet economy did not distribute wealth evenly from region to region, and the standard of living in the southern tier republics in the Caspian basin was lower than in the industrial, Slavic, heartland. Moscow introduced a system of monoculture in the Caucasus and Central Asia, meaning Kazakhstan was dominated by wheat, Uzbekistan by cotton, the Caucasus by fruit, nuts and wine. Until the Second World War, when industry

was moved eastward to escape the advancing Nazi army, industrial development remained low throughout the region, with the notable exception of the Baku oil fields. The wartime transfer to the south and east of entire populations considered unreliable by the regime added to ethnic tensions. The educated minority populace was not blind to this disparity, and despite Soviet insistence to the contrary, realized that it was being discriminated against. As the gap widened with time, tensions on the periphery grew, resulting in unrest that contributed to the ultimate implosion of Soviet power.

### **Post-Soviet Developments**

The arbitrary political boundaries imposed by Moscow on the splintered social, cultural, religious and ethnic groups that inhabited the Caspian region caused much strife that was exacerbated, rather than assuaged, by the collapse of the Soviet Union.<sup>13</sup> Suddenly alone in the world in 1991 after Gorbachev's *glasnost'* and *perestroika* led to the dissolution of central power, most of the former Soviet republics were uncomfortable with their newfound independence. Faced with the necessity of constructing government institutions from scratch, some were more successful than others in establishing themselves as independent states. Chief among their challenges was developing free market economies where no such traditions or expertise existed. Soviet era economic interdependencies and the single source producer system hindered the process and continue to do so today. The Caspian region nations were no exception, some faring better than others. Soon after the dissolution of the Soviet regime, foreign interests began to curry favor in the region, including both governments and corporate interests from the United States, China, Turkey, and Iran, not to mention the continuation of a tenuous but turbulent relationship with the newly democratized Russia, upon which many of these states had long depended for their primary source of economic livelihood.<sup>14</sup>

Conversely, Russia began to stake a claim in the region, noting that the billions of dollars in Western investments and infrastructure development that had been given to the Caspian states in recent years should translate into some form of remuneration now that these states were claiming their independence. This belief on the part of the Russian government led to an even more pronounced degree of separatist sentiment on the part of many of the Caspian states which, building on the centuries-long history of antagonism and disquiet in the Caspian Sea basin, further aggravated the already considerable tension and instability within the region.<sup>15</sup>

## REGIONAL ISSUES

### LEGAL STATUS OF THE CASPIAN SEA

The issue of whether under international law the Caspian is a sea or a lake is central to nearly every issue affecting the region. If the Caspian is considered a lake, then its resources would have to be divided equally among the surrounding states, regardless of the extent of their coastlines. If it is a sea, division of resources would be based on each state's national sectors, as determined by the so-called median line approach, by which the water's surface is determined by equidistant lines being drawn from each national boundary and extending into the sea.<sup>16</sup>

Two treaties signed between the Soviet Union and Iran in 1921 and 1940 formed the legal basis of the division of the Caspian until the breakup of the Soviet Union in 1991. In addition to not accounting for the addition of four littoral states, the former treaties also did not address offshore oil and gas development. Since that time, the littoral states have been unable to agree on a legal framework governing the use and development of the



FIGURE 2

Caspian's oil and natural gas resources. Determining the legal status of the Caspian is a controversial topic for all the involved parties as shifting alliances and priorities govern individual state's interests. The main controversy stems from the fact that oil and gas deposits are not evenly distributed on the seabed. One major stumbling block to a comprehensive treaty is Iran's continuing insistence on a 20 percent share of the seabed, significantly more than the 13 percent it would be accorded under a median line division (see map at Figure 2, above, which also numerically indicates major oil deposits). After an inconclusive summit in April 2002 in Turkmenistan failed to yield results, Russian President Vladimir Putin called on the five Caspian Sea states to conclude bilateral agreements, which Russia soon signed with Kazakhstan and Azerbaijan, agreeing to a median line boundary division of the seabed, but leaving the surface to common use.<sup>17</sup> However, the relatively small gains realized by the three states were annulled by the renunciation of the agreements by other states in the region. Without a lasting solution to the issue of the Caspian Sea's legal status, there is little hope that the full economic



development of the region will be achieved. Further agreements are essential to avoid future clashes such as the one that occurred in July 2001 when Iranian military gunboats confronted an Azeri oil research vessel in disputed waters.

## RESOURCE EXTRACTION AND TRANSPORT

Energy development projects are predicated on a sufficient supporting price for oil and natural gas. As the world price for those commodities fluctuates, so do the prospects of Caspian resources. Because Caspian oil and gas are landlocked, determining the best route for transport of extracted resources is crucial to maximizing the success of the economic development of the region. Many proposals have been advanced in recent years, and some construction has been completed on the transport infrastructure needed to support large-scale extraction and transportation.

Although there currently are Russian (former Soviet) pipelines in the region, the system that Robert Ebel calls "Mother Russia's steel umbilical cord," they do not have the capacity to carry the quantity of oil anticipated to be attainable from the Caspian Basin. Having been built for the specific purpose of transporting energy within the confines of the former Soviet Union, they are ill suited to exporting oil and gas outside the region.<sup>18</sup> While there are a considerable number of potential routes that could be used to facilitate the transport of extracted petroleum and natural gas, only a few of these options are viewed as technically workable in the long-term.

In addition to the three main pre-existing pipeline routes, Atyrau-Samara, Baku-Novorossiysk and Baku-Supsa, major transport capacity was added in the summer of 2001 with the opening of the Caspian Pipeline Consortium's (CPC) pipeline running from the Kazakh Tengiz and Kashagan fields to Novorossiysk, Russia, on the Black Sea. The CPC pipeline, while offering significant capacity and bypassing politically unstable Chechnya, nevertheless has the perceived limitation of being controlled by Russia and Kazakhstan. Additionally, CPC oil must be shipped by tanker from Novorossiysk through the already crowded Bosphorus Straits, a considerable ecological concern to Turkey.<sup>19</sup>

From the U.S. and Turkish perspectives, the preferred Caspian Main Export Pipeline route is the Baku-Tbilisi-Ceyhan (BTC) pipeline. Bypassing Russia and Iran, and thereby preventing those states from potentially cutting off oil and gas exports for political reasons in the future, BTC will, when completed, carry oil directly to the Turkish Mediterranean port of Ceyhan. Criticized by some for being too long at 1038 miles to be commercially viable, the BTC route is the United States' preferred route largely for strategic and not commercial reasons.<sup>20</sup>

From a strictly geographic standpoint, the most expedient pipeline route would appear to



FIGURE 3

run through Iran to the Persian Gulf, but the U.S. Libya-Iran Sanctions Act precludes American oil companies from participating in any such venture, so for the time being, no pipeline is planned. With an eye to significantly increasing energy demand in India and China, eastward and southeastward pipeline routes have also been studied, but are not currently considered commercially viable and are not likely to be built anytime soon.<sup>21</sup> While there are benefits and disadvantages associated with each of these options, there are considerable drawbacks, as well. So far, no single method of transport has emerged as the clear preference, a fact that may actually suit the multiple involved parties well by supporting the generally accepted tenet that multiple sources of supply and multiple export routes are to the strategic benefit of all oil consuming nations.

## ISLAM

Although the majority of the Caspian Basin nations' populations—with the exception of Russia—identify with Islam, those nations have remained largely secular in their orientation.<sup>22</sup> Perhaps this is because of the economic stakes involved, and the recognition that ties with the West, at least in the economic realm, require an element of stability. The Caspian leaders have sought to control the occasional civil and religious protests and unrest that have erupted in the region over time, and, for the most part, these efforts have been successful. Overall, the

economic interests of the states have remained at the forefront, reducing the impact of religious concerns. Islam is both a unifying and divisive force throughout the region, with the Shia versus Sunni split and radicals versus moderates causing friction not only between states, but also within states. Islam provides a regional identification for diverse ethnic groups and clans, acting as a unifying force throughout the region, and can act as a vehicle for reform and change, with emphasis differing in each country.

While religious issues have not played a major role in the negotiations over the export of the region's oil and gas, they have been a constant concern, particularly as the involvement of Western firms and governments has increased in recent years. It has been feared that major pipelines constructed in the region would be vulnerable to attack by any one of the several radical Islamic groups, some of which have engaged in terrorist threats and acts over the last decade. These threats must obviously be taken extremely seriously given the current state of relations between Islam and the West.

A significant concern is the potential for Islamic radicals to disrupt some of the increasingly authoritarian regimes of the region, a concern that has been particularly pronounced since the September 11, 2001 terrorist attacks on the United States. Some regional leaders have pursued increasingly authoritarian domestic policies and are perceived as corrupt and ineffectual, particularly when it comes to managing their economies. With the potential at hand for significant oil profits to begin flowing to those in positions of influence and power, the influence of Islamic fundamentalism may increase if the perception grows that the general populations are not benefiting. Overall, however, the more pressing concerns have been largely economic and political, rather than ethnic and religious, with each country seeking what it perceives to be its just share of the expected windfall from the area's natural resources.

## ENVIRONMENTAL AND ECOLOGICAL ISSUES

In the last several years, there has been a renewed emphasis on environmental and ecological concerns in the Caspian Basin. Recently, the Caspian states have begun to collect environmental data and to commission investigations attempting to gauge the potential negative impact of future extraction and transport projects. In addition, international and local non-governmental organizations have initiated similar studies in the region. Although significantly varied in their scope and methods, most of these studies have come to similar conclusions, finding that pipeline construction could prove to be a danger to the surrounding environment.<sup>23</sup>

Historically, the Caspian Sea and adjacent lands have been rich in biodiversity and natural resources. However, heavy human traffic in the region and traditionally ecologically unsound trade and agricultural practices in the Caspian Sea Basin have already served to endanger the region's environment. According to some research on the potential threats to the environment posed by oil and gas extraction and transport, there are several specific ecological problems that could emerge from such activity, such as threats to the biodiversity of the ecosystem. Already polluted from decades of ecological neglect during Soviet times, environmentalists fear that the effect of drilling and transport could push the region's water and wildlife resources into environmental crisis.<sup>24</sup>

One of the specific threats to biodiversity in the Caspian is that posed to a highly lucrative natural resource, which could prove to be a decisive factor in determining the impact of the extraction and transport projects. The Caspian is home to the world's largest natural population of sturgeon, which produces caviar, one of the world's most expensive edible delicacies. The regional sturgeon industry, which produces up to 85 per cent of the world's caviar, has been an economic mainstay of the Caspian Sea Basin for centuries. Sturgeon populations, which are already under enormous pressure from over fishing and illegal poaching, could become endangered to the point of extinction if projected oil extraction plans are not executed with proper environmental safeguards.<sup>25</sup>

In contrast to the disappearing Aral Sea to the east of the Caspian, the Caspian Sea's water level itself is inexplicably rising, up 2.5 meters since 1978.<sup>26</sup> This phenomenon has led coastal land to disappear at a rate of 1-2 km a year until recently, when the rate of water level increase has slowed. Should the trend continue, drilling sites in low-lying coastal areas and associated pipelines will be endangered, as will ground and seawater resources as coastal wells are inundated with water, resulting in significant water pollution.

No matter which methods of extraction and transport are ultimately implemented and regardless of which geopolitical actors benefit, it is clear that factors sustaining the area's ecology need to play a more decisive role in the development process. The fact that such issues have only recently been heard highlights their relatively minor importance to the involved governmental and commercial interests, leaving much room for improvement. Clearly, without increased cooperation by the littoral states, the state of the environment in the Caspian Sea and surrounding areas will remain threatened.

## THE WAR ON TERRORISM

With concerns focusing primarily on the potential impact of the Islamic Movement of Uzbekistan (IMU) in the pre-September 11 world, the Caspian region quickly became a focal point for the war on terrorism in the fall of 2001. While it was previously considered unthinkable that the United States would have forces in the backyard of the former Soviet Union, in the wake of September 11, U.S. military bases were rapidly established in Uzbekistan and Kyrgyzstan, which although not Caspian Sea littoral states, are certainly close enough to count as regionally influential. In a concerted diplomatic effort, the United States concluded over flight and emergency landing rights with most other countries in the region for its war in Afghanistan.

Although the Caspian Basin has not been directly impacted by the U.S.-led war on terror, the new configuration of international relationships since the terrorist attacks resulted in shockwaves that fundamentally affected every international or diplomatic relationship. Overall, the presumed safety of the extraction and transport infrastructure in the Caspian region has decreased significantly in the aftermath of the terrorist attacks. First, as anti-Western and specifically, anti-American sentiment increased throughout the Muslim world, the seriousness of the threat of a possible terrorist attack on regional pipelines financed by Western interests increased considerably. It is no secret that U.S. economic interests all over the world are now at risk, and presumably those closer to the Arab Gulf states are at even greater risk. Indeed, along with Al Qaeda's second in command, Ayman Al Zawahiri, who warned late last year that U.S. economic interests were "in the cross-hairs," many in the Arab Gulf states would likely be happy to strike a blow against U.S. interests in the Caspian Basin.

One result considered by many to be a positive consequence of the war on terror is a closer strategic relationship between the United States and Russia. The significant cooperation between the two former adversaries that followed the September 11 attacks has spilled over into areas beyond the initial exchange of intelligence. It is assumed by some observers that when the U.S. approached the governments of Uzbekistan and Kyrgyzstan about establishing bases on their territory, they acceded only with Moscow's tacit approval. Additionally, not only now considered an ally in the war on terrorism, Russia is also moving towards becoming a potential significant source of oil imports for the United States.<sup>27</sup>

Clearly, the war on terrorism and its precipitating events have brought to the forefront a number of concerns about energy security in the Caspian region. However, because the conflict is ongoing and will most likely be underway for at least several years, it is unclear what the long-term implications of these developments will be.

## **CORRUPTION**

Another factor that has impeded the progress in the region is the widespread prevalence of governmental and commercial corruption. Corruption in the post-Soviet world is endemic and systemic. With regional government bureaucrats' salaries rarely much above subsistence level, it is small wonder that such an atmosphere prevails. As opposed to the Western view of corruption as a crime, it is sometimes perceived in the Caspian region, as elsewhere in the developing world, as a way of life. The introduction of Western oil money has only fueled the fire. From petty licensing and permit "fees" demanded by local officials to huge outright bribes demanded by top government leaders for access to their countries' resources, Western governments and businesses must deal with the reality of corruption.<sup>28</sup>

When economic gain outweighs all other considerations in a negotiation process, an atmosphere is created that is rife with the possibility of bribery, coercion, profiteering and other forms of corruption. When coupled with the insufficient regulatory and law enforcement systems in the region, these elements result in a negotiation process so marred by corruption that some foreign investors have cited its prevalence as a major deterrent to investment.<sup>29</sup> Official statements to the contrary, it is not likely that the situation will change in the foreseeable future.<sup>30</sup>

## **NATIONAL INTERESTS**

Thus far the Caspian region has been discussed as if it were a monolith, which it is not. Although there are similarities among the five littoral states, each of them has its own specific security and economic interests, as do other interested states. Each of the five contiguous Caspian states and the two major external actors have national interests that at times conflict, and an understanding of what they are and how they interact is essential to understanding how the United States might best pursue its own national interests in the region. **RUSSIA**

As the major successor state to the Soviet Union, Russia de facto retains huge security and economic interests in all of the former Soviet republics. Although Russia recognizes that—twelve years after the breakup of the Soviet Union—Azerbaijan, Kazakhstan and Turkmenistan are irreversibly independent states, there is no question that Moscow continues to exercise considerable influence in what it still considers its own back yard. A measure of the importance Russia attaches to Caspian relations is found in the appointment of former Minister for Fuel and Energy, Viktor Kalyuzhny, as Deputy Foreign Minister and Special Representative for the Caspian Sea Region. Additional evidence of the importance Russia attaches to the resources

in the region was demonstrated by large-scale military exercises executed by its Caspian Flotilla and land and air forces in August 2002, with the specific task of coordinating defense of oil drilling platforms in the north Caspian.<sup>31</sup>

First and foremost, Russia's national security establishment is concerned with its soft southern underbelly, which is thought of as most vulnerable to the spillover of ethnic disputes and the importation of Islamic radicalism. Although not all of the regional conflicts border directly on the Caspian, those between Georgia and Abkhazia, between Georgia and South Ossetia, between North Ossetia and Ingushetia, in Turkey and Iran with their Kurdish populations, and in Nagorno-Karabakh between Armenia and Azerbaijan, are all close enough to give pause to strategic thinkers in Moscow. The seemingly endless internal war in Chechnya also produces significant anxiety for Russia, given its ethno-religious nature. As one noted observer has stated, "There is no large scale attack threat to Russian territory anymore. Instead, the security threat comes from the south in the form of Islamic radicalism. And this threat is much harder to defend against than the old threat from NATO or China."<sup>32</sup>

Economically, Russia's interests in the Caspian Basin are threefold: to develop trade and economic relations with the countries of the region; the use of their transportation infrastructure; and participation in the production and shipment of energy resources.<sup>33</sup> Of primary interest is the volume of oil and gas that will ultimately be obtainable, a topic of some debate among informed experts. Regardless of the ultimate volume of attainable reserves, their ultimate extraction and marketability will require major international investment, something that can be attracted only by politically stable governments with tolerably uncorrupt business climates. Oil transport issues also figure significantly in Russia's calculus of regional relations. Pipelines like the CPC that cross Russian territory bring significant revenue from pipeline use fees, even if the oil comes from Kazakhstan and is sold abroad.

A further concern to Russia is that significant numbers of ethnic Russians continue to live in the former republics, particularly in Kazakhstan. The Russian diaspora, while not officially overtly discriminated against in most of the places it is found (with the possible exception of the Baltics, where citizenship rights can be tied to local language proficiency), is certainly not the dominant force it was in Soviet times. In fact, it is unusual now to see ethnic Russians in positions of responsibility or influence in the Caspian states' governments, militaries or business establishments. This gradual loss of power and influence trickles down to ethnic Russians in the general population, with a concomitant loss of social benefits. Although this loss of influence and status is not something that Russian security establishment is in any position to

counter, the presence of significant numbers of Russians in these countries nevertheless remains a concern that is at least implicitly expressed to the other successor governments.

## KAZAKHSTAN

As a Caspian littoral state with huge proven and potential oil reserves, Kazakhstan's challenge is to ensure its own national security in order to develop its economic resources to its own advantage. A 1992 signatory of the Tashkent Treaty on Collective Security, which was essentially an early attempt by some members of the Commonwealth of Independent States (CIS) to reinstate some of the security guarantees of the former Soviet Union, Kazakhstan in 1996 was also an original signatory to the Shanghai Cooperation Organization (SCO) along with China, Russia, Kyrgyzstan and Tajikistan and joined by Uzbekistan in 1997. With an original intent to provide a forum for frontier disputes, build up trust in the military sphere, and encourage mutual reductions of armed forces in border areas, the SCO has extended its charter to address problems of regional security, although it is not a collective security organization where members pledge to come to the defense of each other. Kazakhstan has thus actively pursued relationships that would enhance its ability to pay attention to economic development without devoting inordinate resources to defense and security. Left with an extremely weak conventional military at the breakup of the Soviet Union, Kazakhstan nevertheless voluntarily gave up its inherited nuclear arsenal by 1995, albeit under economic pressure from the United States, which with Russia and China, guaranteed non-nuclear Kazakhstan's security. Predicating its national security on the presumption that it had no overt enemies among its neighbors, Kazakhstan was initially able to channel its meager resources and effort into economic development rather than establishing significant military forces.<sup>34</sup>

When addressing Kazakhstan, it is important to distinguish between what the Kazakhstani leadership sees as being in its interest and what would actually be in the interest of the Kazakh people. In a strategic campaign launched in 1997 called "Kazakhstan 2030," President Nursultan Nazarbayev outlined priorities for national development, among them: good relations with all its neighbors, especially Russia and China; strengthening ties with the United States and other Western nations; the further development of democracy in Kazakhstan; and the development of the country's natural resources to the economic advantage of the people.<sup>35</sup> In practice, however, that economic development has mostly meant the enrichment of Nazarbayev and his extended family; the welfare of the people seems to matter very little to Nazarbayev, as evidenced by his lack of commitment to democratic principles. Neither of these



considerations, however, has deterred Western oil investment dollars from paving the way for development of the on-shore Caspian fields of Tengiz and Kashagan and, in fact, Western interests buying majority stakes in many of Kazakhstan's industries.<sup>36</sup> Additionally, it wasn't for lack of Kazakhstani effort that no U.S. troops were based in Kazakhstan for the war on Afghanistan, as there were in neighboring Uzbekistan and Kyrgyzstan. Over flight and emergency landing rights were willingly granted to the U.S., as basing rights would have been had the United States requested them, demonstrating fulfillment of Nazarbayev's desire for good Kazakh-American relations.<sup>37</sup>

Although a secular Islamic state, Islam in Kazakhstan plays an increasing role in society as officially atheist Soviet times fade away. Like several of his neighboring presidents, Nazarbayev evidently fears Islamic radicalism as a threat to his rule, a fear that may well be justified. If one assumes, however, that Kazakhstan itself, and not just Nazarbayev and his family, is better off without a radical Islamic regime, this may be a rare instance where the national interest coincides with the president's personal interests. Updating national security priorities in October 2000, Nazarbayev set out four priorities for emphasis: building regional security in Central Asia with the Tashkent Treaty and SCO as the basis; building a strong national defense utilizing not less than 1 percent of GDP; fighting drugs and drug trafficking throughout the country; and implementing a national economic security strategy—emphasizing structural, technological, institutional, and financial elements—as well as specific measures to implement them.<sup>38</sup> Kazakhstan may well be on its way to a modicum of national military and economic security, but—as for most of the post-Soviet states—the jury is still out on what the long term holds.

## TURKMENISTAN

Turkmenistan's primary interest in the region is how to transport its huge reserves of natural gas to market. A completely landlocked country with virtually no natural resources save gas, Turkmenistan's challenge is to provide for its economic security by integrating itself into the world energy market, while at the same time not allowing financial success, if it does materialize, to destabilize the nation, as it has most other states where oil is virtually the sole source of income. It is difficult to overestimate the importance of energy exports to Turkmenistan's economy. With 80 percent of foreign currency revenues and 50 percent of total budget revenues, energy exports account for up to 50 percent of GDP.<sup>39</sup>

With such heavy reliance on a single sector, it is clear Turkmenistan must maximize its return, the key to which is pipeline diversity. Geographical realities require Turkmen gas to traverse Iran, Kazakhstan, Uzbekistan, and Russia, or the Caspian itself to get to market. Since the much-touted Trans-Caspian Gas Pipeline, which would carry gas from Turkmenbashi on Turkmenistan's west coast to Baku, is not likely to be completed anytime soon due to disputes over its commercial viability, there remain two primary options, each controlled by other states. Turkmen gas is currently transported through Iran via the Korpedje-Kurt-Kui (KKK) gas pipeline, necessitating continued good relations with Iran, which also has an economic interest in an uninterrupted flow. The second route through the Central Asia-Centre pipeline that crosses Uzbekistan, Kazakhstan and Russia requires more diplomatic finesse, but as transit countries also collect fees, it is in their interest to cooperate with source nations. Still, while Turkmenistan officially remains politically neutral, it pursues a goal of diversification of gas routes, while some of its neighbors, notably Russia and Uzbekistan clearly have more ambitious geopolitical agendas.<sup>40</sup> Turkmenistan will likely continue to seek alternative routes, including a much-discussed route to China, to reduce its dependence on existing routes.

Turkmenistan's professed neutrality raises the issue of whether it is a realistic stance to take considering the neighborhood in which it lives. While the international community would likely respect any country's declaration of neutrality, it is not external states that threaten Turkmenistan's security today. Rather, it is drug trafficking, religious extremism and international terrorism that threaten Turkmenistan's well being from within, dangers which neutrality do little to prevent.<sup>41</sup> Turkmen President Saparmurat Niyazov, the self-proclaimed "Father of all the Turkmen," might do well to spend less time cultivating his cult of personality and more time dealing with domestic problems that have greater potential to impact Turkmenistan's economic security than any external threat.

## AZERBAIJAN

Involved in the oil game since the discovery of oil on its territory in the 19<sup>th</sup> century, Azerbaijan's priorities in its relations with members of the international community are as follows: stronger political and economic relations with the West, particularly the United States; stable political relations with Russia, Turkey, and Iran; development of free trade with all countries; strategic partnership with the other members of GUUAM (Georgia, Ukraine, Uzbekistan, Azerbaijan, and Moldova); delimitation of the Caspian Sea; assistance in the development of the Transport Corridor Europe Caucasus Asia (TRACECA—a European

Commission funded project of infrastructure improvement projects for rail, roads and ports aimed at developing an east-west oriented trade corridor from Europe through the Caucasus and Central Asia); and diversified oil and gas pipeline routes.<sup>42</sup>

Post-Soviet Azerbaijan initially attempted to align itself with Iran and Russia, but soon discovered that Russia preferred a strategic partnership with neighboring Armenia. This, in turn drove Azerbaijan to attempt to align itself politically and economically with Western interests. The major stumbling block for Azerbaijan's relations with the West, and in particular with the U.S., is its ongoing ethnic struggle with the population of Nagorno-Karabakh, an Armenian enclave occupying some 20 per cent of Azeri territory. Article 907 of the U.S. Freedom Support Act, which from 1992 governed U.S. assistance to the former Soviet Union, prohibited any U.S. aid to Azerbaijan in retaliation for its heavy handed approach to the conflict in the early 1990s. After the September 11 terrorist attacks, the U.S. Congress authorized President Bush to waive the ban, allowing approximately \$50 million dollars in aid in 2002 to flow to Baku in return for its cooperation and assistance in the war on terror.<sup>43</sup>

Pursuing close relations with the West essentially meant offering access to oil, which Azerbaijan did with relish, by 1998 attracting more foreign investment per capita than any other former Soviet state and motivating the other Caspian states to step up their own energy operations. Realizing the need to reconcile oil transport routes with geographic reality, Azerbaijan continued to pursue an amiable relationship with Russia at the same time it was wooing investments from the West. Given the economic realities of its status as a former Soviet republic, Russian participation in oil projects and cultural influence, the large number of Azerbaijanis living in Russia, and the continued presence of a strategic former Soviet radio locating station, now leased by Russia, on its soil, Azerbaijan is inextricably tied to Russia, even as it attempts to enter the West's orbit.<sup>44</sup>

## IRAN

Until 1991, Iran paid scant attention to its stable northern border with the Soviet Union. In the past decade, however, much has changed, and the Iranian Caspian region, with its three new national borders with Armenia, Azerbaijan and Turkmenistan, has become a priority for Iranian foreign policy and economic interests. Iran considers political instability in the Caspian Basin a threat to its national security interests and desires strongly to contain it through diplomacy. By improving relations with its contiguous and regional neighbors, Iran seeks to

develop new markets for its own manufactured exports, buy raw materials for its own industrial use, and find new partners for cooperation in the energy sector.<sup>45</sup>

So far, the United States has more or less successfully contained Iran's influence in the region, which it has long considered a threat to its own strategic and economic interests. First and foremost, Iran's interest is economic, driven by a desire to serve as a transit route for Caspian oil. A pipeline route through Iran to the Persian Gulf would be the most economically feasible, but U.S. sanctions prevent its construction as U.S. companies are specifically barred from trading or investing in Iran, and foreign companies investing more than \$20 million a year are faced with U.S. sanctions. Some observers question the economic and strategic wisdom of continuing such a policy, but for the present it remains in effect, the original 1996 law having been renewed in 2001 for an additional five years by President Bush.<sup>46</sup> Barring new pipeline routes, Iran and its neighbors have sought to establish new railroad lines that substantially increase the efficiency of trade not only within the region, but also help tie together Central Asia and Europe, India and South-East Asia.<sup>47</sup>

In addition to pragmatic economic concerns, cultural, ethnic and religious ties to the larger Caspian region have historically kept Iran intimately involved in affairs beyond its borders and outsiders interested in Iranian internal affairs. Iran possesses both an Azeri population larger than Azerbaijan's and about one million Turkmen. With Iran currently going through its own internal struggle of fundamentalism versus secularism. Iran's leaders are cognizant that exporting radical Islam is not likely to contribute to normalized relations with its neighbors and conduct their foreign policy accordingly.<sup>48</sup>

## CHINA

In 1993, China became a net importer of oil, with projections of sharply growing demand in the 21<sup>st</sup> century, a condition that necessarily strongly influences its relations with its oil-rich Central Asian and Caspian neighbors. Although a pipeline between the western Kazakh oilfields and China was begun in the late 1990s, it has thus far proven economically infeasible to complete. Still, China remains highly interested in Caspian oil. Strategically, China also sees Central Asia and the Caspian as a bridge between itself and the West. With globalization a growing force, China wants to promote good relations with its neighbors in order to develop bilateral trade relations, promote border area stability, and combat a growing separatist movement in its own northwest province of Xinjiang.<sup>49</sup>

China pursues its interests in the region in a non-confrontational and cooperative manner, particularly with respect to the region's former hegemon, Russia. The Shanghai Cooperation Forum (SCO), which has grown out of the original "Shanghai Five," founded on China's initiative in 1996, now comprises China, Russia, Uzbekistan, Tajikistan, Kazakhstan and Kyrgyzstan, originally bound together as a confidence-building measure in which member states could cooperate on border delineation issues. In 2001, the organization added Uzbekistan to its roster and officially renamed itself the SCO, declaring itself a regional forum and pledging to forge stronger ties between member states while providing for the collective security of Central Asia. Thus far the SCO has not proven to be a particularly strong or proactive organization, taking no position at all on the U.S.-led war in Afghanistan, for instance, but with time and possible expansion, it has the potential to be a significant player in regional affairs.<sup>50</sup>

China is the Caspian's second largest trading partner after Russia, but the volume of trade between China and the region remains relatively small. The lack of a developed transportation infrastructure is a significant hindrance to the growth of regional trade; hence that infrastructure is a subject of development, with roads and railways receiving attention and investment where possible. Major projects include building a road linking China and landlocked Tajikistan and a major rail line between western China and Kazakhstan as part of the TRACECA project, called by some the "New Silk Road." In the long run, however, it is the construction of the Kazakhstan-China oil pipeline that will prove decisive in linking China and Central Asia in an economically strategic manner by reducing China's dependence on Middle East oil, which is vulnerable to Persian Gulf, South China Sea, or Taiwan Straights conflicts. That pipeline is equally important to Central Asia's political and economic security in that it supports the strategy of multiple route transport for energy exports and ensures China's interest in safeguarding peace and stability in the Caspian region.<sup>51</sup>

## TURKEY

Turkey's interest in the Caspian Basin has increased significantly since the breakup of the Soviet Union. With historical, cultural, and linguistic ties to the Caucasus and Central Asia, Turkey initially expected to reap a windfall from improved relations with the newly independent states. Perhaps a victim of overly optimistic expectations, however, Turkey's influence in the region has not expanded as much as it had hoped.<sup>52</sup>

Underscoring the primacy of Turkey's regional economic interests, ruling Justice and Development Party leader Recep Erdogan recently toured energy-rich Azerbaijan,

Turkmenistan, and Kazakhstan, while pointedly skipping an opportunity to visit energy-poor Uzbekistan and Kyrgyzstan.<sup>53</sup> With its primary interest in the region being commercial, Turkey has focused its efforts on energy production and transportation as both a participant and a buyer. With its internal energy demand skyrocketing, Turkey sees Caspian oil and gas as a major source of diversification of energy providers to fuel its future economic growth. A major issue, recently resolved, has been that of the Baku-Tbilisi-Ceyhan pipeline (BTC). Initially (and still) criticized for inadequate reserves and high cost, with construction now underway, the BTC will eventually pump Caspian oil across Azerbaijan, Georgia, and Turkey to the Turkish Mediterranean port of Ceyhan, thus obviating the need for additional tanker traffic in the already overcrowded Bosphorus, an environmental danger of considerable concern to Turkey.<sup>54</sup> Turkey's natural gas consumption is expected to triple in the next decade, forcing it to seek diversification from Russian gas, which is currently transported through the Balkans and more of which will be shipped via the planned Blue Stream pipeline under the Black Sea. Iran and Azerbaijan look to be promising alternatives to Russian sources, as do Turkmenistan and Kazakhstan once pipeline infrastructure is in place.<sup>55</sup> This interdependence highlights the need for Turkey to maintain good relations with states throughout the region if it wishes to avoid winter gas shortages as it has experienced in the past.

Turkey does also have geopolitical interests in the region that extend beyond purely economic considerations, however, primary among them being ensuring a peaceful border with Armenia and Georgia, as well as with Iraq and Iran. With a substantial Kurdish minority population in its southeast, Turkey is eager to prevent conflict throughout the region to avoid a drain on its military and economic resources.<sup>56</sup> Turkey is also anxious to cooperate with Russia on both security and energy issues, its search for independence in the latter notwithstanding. Turkey's economic links to Russia have grown exponentially in the past decade, and it seeks to foster a positive bilateral relationship in other areas in order to promote the economic dimension. Long a linchpin on NATO's southeast flank, Turkey will remain a bridge between Europe and Central Asia, while at the same time it seeks to secure its own interests to maximum advantage.<sup>57</sup>

## **U.S. CASPIAN REGIONAL POLICY**

From a geopolitical standpoint, the United States has a strong motive to continue to support the autonomy, sovereignty, and self-rule of the Caspian states. Despite some concerns over the governmental integrity and human rights records of the states in the Caspian region,

the United States still has a vested interest in minimizing the scope and strength of the sphere of Russian influence.<sup>58</sup> U.S. goals in the region differ little now from what they were in 1998, as stated by a U.S. official, who described them as consisting of

a) strengthening the independence and prosperity of the new states; b) encouraging economic and political reform; c) mitigating regional conflicts by building economic linkages between regional states; d) bolstering the energy security of the U.S. and its allies and regional states by ensuring the free flow of oil and gas the world market; and e) enhancing commercial opportunities for U.S. and other companies.<sup>59</sup>

These same goals were articulated again in 2002 by a senior State Department official, with the obvious addition of language aimed at post-September 11 events, when he said, “It has become a cliché, but nevertheless remains very true, that the countries of Central Asia and the Caucasus ceased being a backwater of U.S. strategic interests on that fateful day a year ago. They instead became front-line states in our global war against terrorism.”<sup>60</sup> Finally, Secretary of State Colin Powell told the House International Relations Committee, the United States “will have a continuing interest and presence in Central Asia of a kind that we could not have dreamed of before.”<sup>61</sup> Powell continued that American forces would maintain a presence in the region after the fighting in Afghanistan ended. Clearly, the U.S. is committed to extensive long-term engagement in the region.

The establishment of U.S. military bases in the region signaled a quantum shift in the regional balance of power. Prior to September 11, 2001, the United States sought to assure Russia that it did not seek undue political and/or economic influence in the Caspian region. In fact, many of the private industry initiatives that the U.S. government supported in the region also benefited Russia, such as the refurbishment and improvement of a portion of the region’s crumbling transportation and extraction infrastructure. However, since the attacks of September 11, the relationship between the U.S. and Russia has grown much closer, and although there is still not universal agreement on strategy and tactics in both the commercial and geopolitical realms, the two former enemies now cooperate on an unprecedented scale. Indeed, Russia was understandably initially alarmed at the introduction of U.S. military forces into the region, but its leaders soon acquiesced and at least did not publicly oppose the deployments. This is a mutually beneficial relationship, bringing the U.S. partners and allies in the war on terror—and new sources of energy supply diversification—and giving Russia international legitimacy in its own counterterrorist struggle, markets for its energy exports, and investment for its aging

infrastructure. In the long-term, these developments will not only produce economic gain for foreign investors in the Caspian Sea Basin, but they will also provide Russia and other Caspian states with the means by which to generate their own sources of sustainable income. While it cannot be claimed that the actions of the United States in the Caspian region have been wholly selfless, without any hope for future gain, neither can it be claimed that the United States' involvement in the region has been wholly exploitative and self-serving.<sup>62</sup>

While the September 2002 National Security Strategy of the United States (NSS) does not extensively address the Caspian region, it does specifically mention it in the context of enhancing energy security: "We will strengthen our own energy security and the shared prosperity of the global economy by working with our allies, trading partners, and energy producers to expand the sources and types of global energy supplied, especially in the Western Hemisphere, Africa, *Central Asia, and the Caspian region*."<sup>63</sup> (emphasis added). Other points the NSS makes can be extrapolated to apply to the Caspian as well as other regions throughout the world. Thus, when the President asserts that,

"The United States will champion aspirations for human dignity; strengthen alliances to defeat global terrorism and work to prevent attacks against us and our friends; work with others to defuse regional conflicts; prevent our enemies from threatening us, our allies and our friends, with weapons of mass destruction; ignite a new era of global economic growth through free markets and free trade; and expand the circle of development by opening societies and building the infrastructure of democracy,"<sup>64</sup>

he is speaking of U.S. relations with many of the world's regions, including the Caspian.

Implementation of the NSS in the Caspian Basin has taken the form, among others, of an active military engagement policy aimed at prosecuting the U.S. war on terrorism. As part of the strategy employed in Operation ENDURING FREEDOM, the successful U.S. campaign to oust the Taliban from Afghanistan, the U.S. military's involvement in Central Asia and the Caucasus expanded to include: forward basing in Uzbekistan, Kyrgyzstan and Tajikistan; access to airspace and restricted use of bases in Kazakhstan and Turkmenistan; a train and equip mission in Georgia; assistance for border security in Azerbaijan; and coalition-building by high-level visits to Central Asia; intelligence sharing; and increased security assistance.<sup>65</sup>



## CONCLUSION AND U.S. POLICY PRESCRIPTION

Since the collapse of the Soviet Union in 1991, the Caspian Sea region has been at the center of intense international interest. The West, and particularly the United States, has played an important role in the region, encouraging political stability, facilitating the transition to democracy, and investing in economic infrastructure. As a result of these efforts, the United States has thereby helped itself by diversifying its energy sources and engaging nations whose cooperation is now critical in the war on terror. Over the past decade, there has rightly been both criticism and praise for the United States' actions in and policies toward the Caspian region. Of course, whether U.S. policy is enlightened or exploitive depends on whom one asks. Criticism ranges from the usual charge that the United States pursues a unilateral, heavy-handed policy, to accusations of naked economic self-interest, particularly with respect to energy deals. Some observers, however, give the United States higher marks for multilateralism and less selfish motives in encouraging regional economic cooperation in the energy sector.

As the National Security Strategy makes clear, the United States' first priority is to "defend the peace by fighting terrorists and tyrants." It continues, "We will preserve the peace by building good relations among the great powers. We will extend the peace by encouraging free and open societies on every continent."<sup>66</sup> These three points can and should be directly applied to U.S. relations with Caspian states. The United States should continue to forge with the Caspian states—large and small—positive relationships that enhance regional stability, encourage their full participation in the world economy (or at least world energy markets), and encourage these countries to fully cooperate with the United States in the war on terrorism, wherever necessary.

The United States should ensure that its Caspian policy combines encouragement for future economic growth with practices that will promote regional modernization and human rights protection for its countries' citizens. In order to avoid charges of imperialism, policies should be developed from a framework of respect and understanding of the cultural and historical characteristics of the Caspian and Caucasus region. It does no good to act purely out of self-interest. The United States unquestionably will benefit significantly from the development of the Caspian region's natural resources, but these benefits cannot be achieved or sustained in the long-term without first having secured political, economic, and social stability in the Caspian Sea states.<sup>67</sup> In the long run, the results of U.S. policy initiatives will be enhanced greatly if partner nations in the region perceive that they are also profiting from the relationship.

The primary importance of adhering to the rule of law, in particular, should be strongly encouraged in all current and future dealings with the region. Even while respecting cultural and historical differences, the United States should not allow itself to be seen as blind to corrupt government dealings that are so prevalent throughout the region. As such, the rule of law must stand as a nonnegotiable principle upon which all future U.S. policy pertaining to the Caspian region is predicated. Many practitioners rightly point out that this is easier said than done, and that, particularly in the war on terrorism, the ends should justify the means. This may seem to some like a logical and pragmatic approach, but it is shortsighted and will not yield the long-term dividends that U.S. policy seeks. The United States should also resist the temptation to pursue a unilateral policy of self-defense and preemptive attack against terrorist groups and regimes. Such a strategy would likely raise regional suspicion of American intentions and erode support in both Moscow and Beijing, perhaps even prompting them to work against the United States in the region. Reliance on a multilateral approach whenever possible, however, should encourage cooperation among Caspian militaries to work in concert with U.S. interests, thereby reducing the burden on already stressed U.S. military resources.<sup>68</sup>

A primary behavior motivator in under-developed, oil-rich economies is personal greed, often on the part of national leaders, but, in the economic realm, U.S. foreign assistance should emphasize the need to re-invest in the regional infrastructure and economy. U.S. aid, for instance, should be channeled to areas that benefit the general population, not just the ruling elites. Insisting on this will assist the region in creating the broad economic base that is necessary for the Caspian states' eventual entry into the global economy. This, and the earlier mentioned need for insistence on the rule of law and integrity in business dealings, will go a long way in preventing revenues from foreign investment from being misused, leading to situations in which corrupt governments drive their countries down the same path of other failed single-source oil economies such as Nigeria and Gabon. Strong U.S. policy in support of long-term economic stability and development in the region will prove to be beneficial to all involved parties over the long-term.

The need for a long-term approach cannot be overemphasized. It is through promoting long-term regional economic growth that the United States will counteract the poverty that leads to instability that allows Islamic extremism to take root and present itself as an alternative. Additionally, by linking states' human rights records to economic aid, we will encourage behavior that bolsters, rather than diminishes, local populations' confidence in their own governments and in international institutions.

A long-term approach to regional military assistance is also imperative. Measures should include encouraging active participation in NATO's Partnership for Peace, and exposing regional militaries to Western engagement activities that enhance not only immediate capability, but also long-term development of military institutions supportive of democratic values. Military assistance, such as equipment financing and personnel training, should be predicated on Caspian states cooperating regionally to eliminate the threat of transnational terrorists who would attack Western economic interests, but also on the very clear understanding that militaries are most effective when they are not used to repress their own populations.

The current widespread perception that the United States is willfully acting on its own in the war on terror will hinder the future success of regional development if it is not counteracted with a meaningful multilateral approach. The United States must always be ready and able to act on its own as a last resort when necessary to protect its own security, but in the long run, benefits will accrue more readily to us if we demonstrate a willingness to work with other nations to achieve our common security goals. In this regard, U.S. Caspian policy should take into account the interests of all regional players, especially Russia, which arguably has a stronger interest in Caspian regional affairs than any outside actor. All regional governments should be encouraged to cooperate on border security and regional trade issues, pipeline construction, impeding the proliferation of weapons of mass destruction, and international drug trafficking.

The search for an effective, integrated U.S. regional strategy will be a long and difficult one, but it will be worth the effort. It must be integrated functionally, i.e., employing all the elements of national power, as well as geographically, taking into account the distinct characteristics and priorities of each of the Caspian states, as well as making all the pieces fit into a coherent whole. No part of the strategy should take precedence over another. The war on terrorism, the need to diversify energy supplies, and encouraging regional stability must all be synchronized. The situation in the Caspian Basin provides a significant opportunity for the U.S. to address these issues. Through targeted policymaking, infrastructure development, economic and military assistance, and private investments that support not only the extraction and transport of Caspian oil, but also the stability and sovereignty of the littoral states, the United States will make significant progress in the war on terror, achieve energy diversification and security for itself and the region, and provide for long-term stability and development in a critical part of the world. If these policy approaches can be implemented and sustained over time through successive U.S. administrations, the return on investment will be significant, not only for the United States, but for the world.

(Word count = 10,734)

## ENDNOTES

<sup>1</sup> Stephen Blank, "Energy and Security in Transcaucasia," Problems of Post Communism (July/August, 1995): 15.

<sup>2</sup> U. S Department of Energy, Energy Information Administration (EIA), "The Caspian Sea Region;" available from <<http://www.eia.doe.gov/emeu/cabs/caspian2.html>>; Internet; accessed September 13, 2002.

<sup>3</sup> Ibid. Other sources, including Kangas, cite similar figures with only slight variations.

<sup>4</sup> Blank, 14.

<sup>5</sup> Rene Grousset, The Empire of the Steppes, a History of Central Asia (New Brunswick, New Jersey: Rutgers University Press, 1970), 1-11.

<sup>6</sup> Ibid., 469-477.

<sup>7</sup> Glenn E. Curtis, editor, Russia, A Country Study (Washington, D.C.: Federal Research Division, Library of Congress, 1998), 14.

<sup>8</sup> Ibid., 20-28.

<sup>9</sup> For anyone interested in 19<sup>th</sup> century Eurasian history, Hopkirk's The Great Game is a must read.

<sup>10</sup> Curtis, 62-68.

<sup>11</sup> Roger Kangas, The Caspian and Central Asian Oil and Gas Report: Developing the Energy Sector's New Frontier (London: SMI Publishing, Ltd., 2001), 11.

<sup>12</sup> Ibid.

<sup>13</sup> Martha Olcott, "The Caspian's False Promise," Foreign Policy (Summer 1998): 96.

<sup>14</sup> Blank, 14.

<sup>15</sup> Shawn E. Cantley, "Black Gold or the Devil's Excrement? Hydrocarbons, Geopolitics and the Law in the Caspian Basin," Europe-Asia Studies (May 2002): 477.

<sup>16</sup> EIA, "Caspian Sea Region: Legal Issues;" available from <http://www.eia.doe.gov/emeu/cabs/casplaw.html>; Internet; accessed November 20, 2002.

<sup>17</sup> Andrew Jack, "Muscles are Flexed as the Competition Intensifies Russia's Influence," Financial Times (October 1, 2002): 1

<sup>18</sup> Robert Ebel, Energy Choices in the Near Abroad (Washington, D.C.: Center for Strategic and International Studies, 1997), 21.

<sup>19</sup> EIA, "Caspian Sea Region: Oil Export Options;" <http://eia.doe.gov/emeu/cabs/caspoile.html>; Internet; accessed September 16, 2002.

<sup>20</sup> Kangas, 115.

<sup>21</sup> John Roberts, "Energy Reserves, Pipeline Routes and the Caspian," in The Security of the Caspian Sea Region, ed. Gennady Chufrin (New York: Oxford University Press, 2001), 45-46.

<sup>22</sup> Alexei Malashenko, "Islam in Central Asia," in Central Asian Security, eds. Roy Allison and Lena Jonson (London: Royal Institute of International Affairs, 2001), 49.

<sup>23</sup> Igor Zonn, "The Caspian Sea: Threats to its Biological Resources and Environmental Security," in Chufrin, ed., 69-82.

<sup>24</sup> *Ibid.*, 69-70.

<sup>25</sup> *Ibid.*, 71-73.

<sup>26</sup> *Ibid.*, 77.

- <sup>27</sup> Eugene Rumer, "The U.S., Russia and Iraq," Washington Post, September 30, 2002.
- <sup>28</sup> Kangas, 78.
- <sup>29</sup> Jahangir Amuzegar, "OPEC as Omen," Foreign Affairs (November 1998): 96.
- <sup>30</sup> Marek Hessel and Ken Murphy, "Stealing the State and Everything Else," available from <[http://www.transparency.org/working\\_papers/hessel/](http://www.transparency.org/working_papers/hessel/)>; Internet; accessed October 11, 2002.
- <sup>31</sup> Pravda.ru, "Moscow Thinks it is Essential to Defend Objects of Fuel and Energy Complex from Terrorists," August 21, 2002; available from <<http://english.pravda.ru/politics/2002/08/21/34939.html>>; Internet; accessed January 30, 2003.
- <sup>32</sup> Dmitri Trenin, in comments delivered at the Center for International and Security Studies, January 29, 2003.
- <sup>33</sup> Vitaliy Naumkin, "Russia's National Security Interests in the Region," in Chufrin, ed., 123.
- <sup>34</sup> Konstantin Syroezhkin, "Kazakhstan's Security Policy in the Caspian Sea Region," in Chufrin, ed., 212.
- <sup>35</sup> Nursultan Nazarbayev, "Prosperity, Security, and the Ever Growing Welfare of all the Kazakhstanians," available from <<http://www.kazakinfo.com/Government/2030.shtml>>; Internet; accessed February 3, 2003.
- <sup>36</sup> Syroezhkin, 221-222.
- <sup>37</sup> LTC Denise Donovan, U.S. Defense Attaché to Kazakhstan, in remarks to author on August 10, 2002.
- <sup>38</sup> Syroezhkin, 229.
- <sup>39</sup> Najia Badykova, "Turkmenistan's Quest for Economic Security," in Chufrin, ed., 231.

<sup>40</sup> Badykova, 238-239.

<sup>41</sup> Murad Esenov, "Turkmenistan and Central Asian Regional Security," in Chufrin, ed., 252.

<sup>42</sup> Sabit Bagirov, "Azerbaijan's Strategic Choice in the Caspian Region," in Chufrin, ed., 178.

<sup>43</sup> Aynura Ahmedova, "Azerbaijan: Freeing the Freedom Support Act," available from <<http://www.eurasianet.org/departments/insight/articles/pp020702.shtml>>; Internet; accessed February 4, 2003. See also George W. Bush, "Memorandum on the Waiver of Section 907 of the Freedom Support Act with Respect to Assistance to the Government of Azerbaijan," Weekly Compilation of Presidential Documents, Volume 38, Number 5.

<sup>44</sup> Bagirov, 181-182.

<sup>45</sup> Mehrdad M. Mohsenin, "The Evolving Security Role of Iran in the Caspian Region," in Chufrin, ed., 172.

<sup>46</sup> White House Press Release, August 3, 2001; available from <<http://usinfo.state.gov/topical/pol/terror/01080303.htm>>; Internet; accessed on February 3, 2003.

<sup>47</sup> Mohsenin, 173.

<sup>48</sup> Charles Fairbanks and others, Strategic Assessment of Central Asia (Washington, D.C.: Atlantic Council of the United States, January 2001), 77.

<sup>49</sup> Guangcheng Xing, "China and Central Asia," in Roy Allison and Lena Jonson, eds., 156-158.

<sup>50</sup> Sean L. Yom, "Power Politics in Central Asia," Harvard Asia Quarterly, Autumn 2002, available from <<http://www.fas.harvard.edu/~asiactr/haq/200204/0204a003.htm>>; Internet;

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<sup>51</sup> Gennady Chufrin, "Towards an Unstable Future," in Chufrin, ed., 335-336.

<sup>52</sup> Ali Karaosmanoglu, "Turkey's Objectives in the Caspian Region," in Chufrin, ed., 151.

<sup>53</sup> RFE/RL Central Asia Report, Volume 3, No. 3 (January 16, 2003): 4.

<sup>54</sup> Karaosmanoglu, 152.

<sup>55</sup> Jan H. Kalicki, "Caspian Energy at the Crossroads," Foreign Affairs, (September/October 2001): 128.

<sup>56</sup> Fairbanks, 84.

<sup>57</sup> Karaosmanoglu, 164.

<sup>58</sup> Susha Bolukbasi, "The Controversy Over the Caspian Sea Mineral Resources: Conflicting Perceptions, Clashing Interests," Europe-Asia Studies (May 1998): 399.

<sup>59</sup> Ambassador Richard Morningstar, Address to CERA Conference, Washington, DC, December 7, 1998; Available from <<http://www.mtholyoke.edu/acad/intrel/morning.htm>>; Internet; accessed on February 9, 2003.

<sup>60</sup> B. Lynn Pascoe, Deputy Assistant Secretary of State for European and Eurasian Affairs, in remarks delivered at the International Conference on Central Asia and the Caucasus, Yale Center for the Study of Globalization, New Haven, Connecticut, September 20, 2002; available from <<http://www.state.gov>>; Internet; accessed on December 10, 2002.

<sup>61</sup> Quoted by Vernon Loeb, "Footprints in the Steppes of Central Asia," The Washington Post, February 9, 2002, A9.



<sup>62</sup> Stephen Blank, "American Grand Strategy in the Transcaspian Region," World Affairs (Fall 2000): 68.

<sup>63</sup> President George W. Bush, The National Security Strategy of the United States of America, (NSS), (Washington, D.C.: The White House, September 2002), 20.

<sup>64</sup> Ibid., 1-2.

<sup>65</sup> Elizabeth Wishnick, Growing U.S. Security Interests in Central Asia (Carlisle, Pennsylvania: Strategic Studies Institute, October 2002), 13.

<sup>66</sup> Bush, NSS, iv.

<sup>67</sup> Martha Brill Olcott, "Pipelines and Pipe Dreams: Energy Development and Caspian Society," Journal of International Affairs (Fall 1999): 316.

<sup>68</sup> Wishnick, 36.

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